

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Notice of Market-Dominant
Price Adjustment

Docket No. R2015-4

CHAIRMAN'S INFORMATION REQUEST NO. 6

(Issued February 4, 2015)

To clarify the issues raised by the Postal Service's Notice of Market Dominant Price Adjustment in Docket No. R2015-4,¹ the Postal Service is requested to provide written responses to the following requests and questions. Answers should be provided to individual requests and questions as soon as they are developed, but no later than February 11, 2015.

Package Services

1. The following request concerns proposed piece and pound rates for BPM Flats, Non-FSS, Basic Presort, Origin Entry which are listed in Library Reference USPS-LR-R2015-4/4, Excel file "R2015-4 Package Services Cap Calculations.xlsx," tab "New BPM Presort Flats Prices," cells D15-K15. Different proposed piece and pound rates for BPM Flats, Presorted, Non-FSS, Other than Destination Entry are listed in the proposed changes to the Mail Classification Schedule (MCS). See Notice, Attachment A, Part I at 73. Please reconcile the proposed rates in Library Reference USPS-LR-R2015-4/4 with the rates listed in the proposed changes to the MCS. Please provide updated price cap calculations, if applicable.

¹ United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015 (Notice).

New Worksharing Discounts

2. 39 C.F.R. § 3010.12(c) states “[w]henver the Postal Service establishes a new workshare discount rate, it must include with its filing: (1) A statement explaining its reasons for establishing the discount; (2) All data, economic analyses, and other information relied on to justify the discount; and (3) A certification based on comprehensive, competent analyses that the discount will not adversely affect either the rates or the service levels of users of postal services who do not take advantage of the discount.”
 - a. Please provide a list of all new worksharing discounts included in the proposed MCS language.
 - b. Please provide information responsive to 39 C.F.R. § 3010.12(c) for each of the new worksharing discounts.

Periodicals New Worksharing Discounts

3. In Order No. 1890, the Commission stated “[w]hen the Postal Service decides to differentiate the FSS presort prices from existing prices by offering discounts, the Postal Service must file the necessary information for the Commission to review the discounts. See 39 C.F.R. § 3010.12(c).”² On page 28 of the Notice, the Postal Service proposes new FSS pricing for Outside County Periodicals, stating that in addition to the FSS prices for Pallets, which were introduced in FY13, “...new prices for FSS Pieces, Bundles, and Sacks are also incorporated. The prices for the new FSS categories were created by blending (i.e. taking a weighted average of) the prices paid by the FSS pieces prior to this structural change.”

² Docket No. R2013-10, Order on Price Adjustments for Market Dominant Products and Related Mail Classification Changes, November 21, 2013, at 73-74 (Order No. 1890).

- a. Please confirm that the Postal Service has estimated the bottom-up cost for FSS bundles in Docket No. ACR2014 Library Reference USPS–LR–FY14–11, Excel file “PER_OC_flats.xls,” tab “SUMMARY,” and used these estimated costs to set bundle prices equal to Postal Service costs in this docket. If not confirmed, please explain.
 - b. Please confirm that the Postal Service has estimated the bottom-up cost for FSS pallets in Docket No. ACR2014 Library Reference USPS–LR–FY14–11, Excel file “PER_OC_flats.xls,” tab “SUMMARY,” and used these estimated costs to set pallet prices equal to Postal Service costs in this docket. If not confirmed, please explain.
 - c. Please confirm that the Postal Service has estimated the bottom-up cost for FSS sacks in Docket No. ACR2014 Library Reference USPS–LR–FY14–11, Excel file “PER_OC_flats.xls,” tab “SUMMARY.” If not confirmed, please explain.
4. The Postal Service proposes a price for Machinable Barcoded FSS Pieces.
 - a. Please identify the benchmark category for this presort level.
 - b. Please identify the worksharing discount for the presort level.
 - c. Please identify the avoided cost for this presort level. If the Postal Service has not developed an avoidable cost for this level of presortation, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.

5. The Postal Service proposes a price for Machinable Non-barcoded FSS Pieces.
 - a. Please identify the benchmark category for this presort level.
 - b. Please identify the worksharing discount for the presort level.
 - c. Please identify the avoided cost for this presort level. If the Postal Service has not developed an avoidable cost for this level of presortation, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.

Standard Mail New Worksharing Discounts

6. The Postal Service proposes per-piece prices for Automation Flats on FSS Scheme pallets/containers. The Postal Service proposes separate per-piece prices for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - a. Please identify the benchmark category for this presort level.
 - b. Please identify the worksharing discount for the Commercial presort level for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - c. Please identify the worksharing discount for the Nonprofit presort level for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - d. Please identify the avoided cost for this presort level. If the Postal Service has not developed an avoidable cost for this level of presortation, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.

7. The Postal Service proposes per-piece prices for Automation Flats on FSS Non-Scheme pallets/containers. The Postal Service proposes separate per-piece prices for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - a. Please identify the benchmark category for this presort level.
 - b. Please identify the worksharing discount for the Commercial presort level for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - c. Please identify the worksharing discount for the Nonprofit presort level for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - d. Please identify the avoided cost for this presort level. If the Postal Service has not developed an avoidable cost for this level of presortation, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.
8. The Postal Service proposes per-pound prices for Automation Flats weighing more than 3.3 ounces that are on FSS Scheme pallets/containers.
 - a. For each destination entry point, please identify the benchmark category for the dropship level.
 - b. For each destination entry point, please identify the worksharing discount for the Commercial dropship level.
 - c. For each destination entry point, please identify the worksharing discount for the Nonprofit dropship level.

- d. For each destination entry point, please identify the avoided cost for this dropship level. If the Postal Service has not developed an avoidable cost for a dropship level, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.
 - e. For the Origin, DNDC, and DSCF entry points, please explain why the Postal Service chose to set these rates different from the other presort categories, *e.g.*, the proposed commercial Origin FSS Scheme Pallet/Container per-pound rate is \$0.701 while the commercial per-pound rate for Mixed ADC, ADC, 3-Digit, and 5-Digit is \$0.763. Please also discuss if the difference between the two rates (\$0.763 - \$0.701) should be considered a presorting workshare discount and included in Excel file “(Attachment B).xls.”
9. The Postal Service proposes per-pound prices for Automation Flats weighing more than 3.3 ounces that are on FSS Non-Scheme pallets/containers.
- a. For each destination entry point, please identify the benchmark category for the dropship level.
 - b. For each destination entry point, please identify the worksharing discount for the Commercial dropship level.
 - c. For each destination entry point, please identify the worksharing discount for the Nonprofit dropship level.
 - d. For each destination entry point, please identify the avoided cost for this dropship level. If the Postal Service has not developed an avoidable cost for a dropship level, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.

- e. For the Origin, DNDC, and DSCF entry points, please explain why the Postal Service chose to set these rates different from the other presort categories, *e.g.*, the proposed commercial Origin FSS Non-Scheme Pallet/Container per-pound rate is \$0.755 while the commercial per-pound rate for Mixed ADC, ADC, 3-Digit, and 5-Digit is \$0.763. Please also discuss if the difference between the two rates (\$0.763 - \$0.755) should be considered a presorting workshare discount and included in Excel file “(Attachment B).xls.”
10. The Postal Service proposes per-piece prices for Non-automation Flats on FSS Scheme pallets/containers. The Postal Service proposes separate per-piece prices for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
- a. Please identify the benchmark category for this presort level.
 - b. Please identify the worksharing discount for the Commercial presort level for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - c. Please identify the worksharing discount for the Nonprofit presort level for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - d. Please identify the avoided cost for this presort level. If the Postal Service has not developed an avoidable cost for this level of presortation, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.

11. The Postal Service proposes per-piece prices for Non-automation Flats on FSS Non-Scheme pallets/containers. The Postal Service proposes separate per-piece prices for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - a. Please identify the benchmark category for this presort level.
 - b. Please identify the worksharing discount for the Commercial presort level for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - c. Please identify the worksharing discount for the Nonprofit presort level for flats weighing less than 3.3 ounces and for flats weighing more than 3.3 ounces.
 - d. Please identify the avoided cost for this presort level. If the Postal Service has not developed an avoidable cost for this level of presortation, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.
12. The Postal Service proposes per-pound prices for Non-automation Flats weighing more than 3.3 ounces that are on FSS Scheme pallets/containers.
 - a. For each destination entry point, please identify the benchmark category for the dropship level.
 - b. For each destination entry point, please identify the worksharing discount for the Commercial dropship level.
 - c. For each destination entry point, please identify the worksharing discount for the Nonprofit dropship level.

- d. For each destination entry point, please identify the avoided cost for this dropship level. If the Postal Service has not developed an avoidable cost for a dropship level, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.
13. The Postal Service proposes per-pound prices for Non-automation Flats weighing more than 3.3 ounces that are on FSS Non-Scheme pallets/containers.
- a. For each destination entry point, please identify the benchmark category for the dropship level.
 - b. For each destination entry point, please identify the worksharing discount for the Commercial dropship level.
 - c. For each destination entry point, please identify the worksharing discount for the Nonprofit dropship level.
 - d. For each destination entry point, please identify the avoided cost for this dropship level. If the Postal Service has not developed an avoidable cost for a dropship level, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.
14. The Postal Service proposes per-piece prices for Carrier Route Flats on 5-Digit pallets.
- a. Please identify the benchmark category for this presort level.
 - b. Please identify the worksharing discount for the Commercial presort level.
 - c. Please identify the worksharing discount for the Nonprofit presort level.
 - d. Please identify the avoided cost for this presort level. If the Postal Service has not developed an avoidable cost for this level of presortation, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.

15. The Postal Service proposes per-pound prices for Carrier Route Flats on 5-Digit pallets.
- a. For each destination entry point, please identify the benchmark category for the dropship level.
 - b. For each destination entry point, please identify the worksharing discount for the Commercial dropship level.
 - c. For each destination entry point, please identify the worksharing discount for the Nonprofit dropship level.
 - d. For each destination entry point, please identify the avoided cost for this dropship level. If the Postal Service has not developed an avoidable cost for a dropship level, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.

Package Services New Worksharing Discount

16. The Postal Service proposes a price for FSS Basic Presort Origin Entry Pieces for BPM Flats.
- a. Please identify the benchmark category for this presort level.
 - b. Please identify the worksharing discount for this presort level.
 - c. Please identify the avoided cost for this presort level. If the Postal Service has not developed an avoidable cost for this level of presortation, please provide a suitable proxy for use in this docket, as well as a timeline for the development of the avoided cost.

Periodicals

17. Library Reference USPS–LR–R2015-4/3, Excel file “CAPCALC-PER-R2015-4.xls” contains the Postal Service’s calculation of the proposed price increase for Periodicals. In Excel file “CAPCALC-PER-R2015-4.xls,” tab “Summary,” cell F9, the Postal Service calculated that the price increase adjustment is 1.965 percent. On January 30, 2015, in response to Chairman's Information Request (CHIR) No. 1, question 3, the Postal Service provided Excel file “CAPCALC-PER-R2015-4Mod.xls.” In Excel file “CAPCALC-PER-R2015-4Mod.xls,” tab “Summary,” cell F9, the Postal Service calculated that the price increase is “1.983%.” Please reconcile the Periodicals price increase calculated in Excel file “CAPCALC-PER-R2015-4Mod.xls” with the Docket No. R2015-4 Periodicals price cap of 1.966 percent.
18. On January 30, 2015, in response to CHIR No. 1, question 3, the Postal Service provided Excel file “CAPCALC-PER-R2015-4Mod.xls.” Excel file “CAPCALC-PER-R2015-4Mod.xls,” tab “FSS Piece Data” details that 18.5 percent of Carrier Route Periodicals destined in FSS zones in FY 2014 Quarter 3. Excel file “CAPCALC-PER-R2015-4Mod.xls,” tab “Outside County,” cell F88 contains a value of 178,446,329 for 3-Digit/SCF Sack or Pallet Carrier Route bundles.
 - a. Please confirm that in FY 2014, 183,675,577 Periodicals Outside County bundles were entered at Carrier Route 3-Digit/SCF Sack or Pallet prices. If not confirmed, please explain.
 - b. Please confirm that in Excel file “CAPCALC-PER-R2015-4Mod.xls,” the Postal Service estimates that 2.8 percent of Periodicals Outside County bundles entered at Carrier Route 3-Digit/SCF Sack or Pallet prices in FY 2014 will be required to pay other prices, such as FSS bundle prices under the proposed mail preparation requirements. If not confirmed, please explain.

- c. Please confirm that the Carrier Route pieces that are required to be entered at FSS piece prices will also be required to be entered at FSS bundle prices instead of Carrier Route bundle prices. If not confirmed, please explain.
 - d. Please estimate the number of Carrier Route presorted bundles that will be required to be entered at FSS presorted bundle prices under the proposed prices and mail preparation requirements.
19. On January 30, 2015, in response to CHIR No. 1, question 3, the Postal Service provided Excel file “CAPCALC-PER-R2015-4Mod.xls.” In Excel file “CAPCALC-PER-R2015-4Mod.xls,” tab “FSS Piece Data,” the Postal Service provided the Mail Characteristics Study data used to “determine the migration of piece volume” from the historical billing determinant volume to the newly proposed FSS rate cells. In its response, the Postal Service states that the volume distribution “percentages are calculated for Q3 2014 by presort level and then applied to all of FY 2014.” The Postal Service further notes that 15.625 percent of Periodicals were migrated to FSS price cells.
- a. Please provide the FY 2014 Quarter 4 FSS migration data.
 - b. Please explain why it is appropriate to use only the FY 2014 Quarter 3 data for the calculation of the volume that migrates to the new FSS cells instead of the Quarter 3 and Quarter 4 data.
 - c. In Library Reference USPS-LR-FY14-11, Excel file “PER_OC_Flats.xls,” tab “FSS Parameters,” cell D11, the Postal Service estimates that 19.37 percent of Outside County Periodicals were processed on the FSS in FY 2014. Please reconcile the estimate of Periodicals processed on the FSS in USPS-LR-FY14-11 with Excel file “CAPCALC-PER-R2015-4Mod.xls.”

Mail Preparation Requirements

20. In this proceeding, the Postal Service proposes new price cells for FSS flats. The Postal Service also provides volumes associated with those new price cells.
- a. Please confirm that the volumes associated with the new FSS flats price cells will not experience a change in mail preparation requirements under the new FSS flats price cells.
 - b. If not confirmed, please describe in detail any change in mail preparation requirements. If the mail preparation requirements have not yet been determined, please provide a date certain by which the mail preparation requirements will be established.

By the Acting Chairman.

Robert G. Taub